

# **Office of Management & Budget Performance Review**

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Joseph Beach, Director  
June 25, 2009

# CountyStat Principles

- **Require Data Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



# Agenda

- **Headline Performance Measures**



# Meeting Goal

- **Determine the impact of OMB work on headline measures and establish new performance expectations and goals.**

Status of follow-up items from the last CountyStat meeting on OMB performance (8-8-2008):

- Complete** – **Finalize methodology for the customer satisfaction Headline Measure to better incorporate analytic support.**  
*A revised survey was developed that includes a question on OMB support in solving problems and is being administered for the FY11 budget cycle. Interim results are included in this presentation.*
- Complete** – **Report Enterprise funds in the calculation of the Headline Measure, Variance between budgeted and actual expenditures.**  
*Enterprise funds are included in this budget measure; NDAs are not. OMB is proposing an alternative version of this measure.*
- Complete** – **Add a breakdown of the ratings for the GFOA Distinguished Budget Award to the performance plan as sub-measures for the headline measure.**  
*This breakdown is included in the presentation as submeasures of the headline measure, Overall Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - Percent rated outstanding or proficient.*
- Complete** – **Categorize the controllable and uncontrollable factors that impact budget variance.**  
*Factors impacting budget variances between FY05 and FY07 have been analyzed and categorized by controllability. Results are included in this presentation.*
- Complete** – **Examine the feasibility of using the components of the AAA bond rating criteria that relate to OMB's core mission as a Headline Measure.**  
*This measure has been developed based on Fitch's Practices of Highly Successful Finance Officers and is included in this presentation.*



## Headline Measures

- Overall Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - Percent rated outstanding or proficient
- Performance on rating agency criteria for AAA bond rated jurisdictions **(New)**
- Results Based Budgeting - Composite measure across all departments of improvement in key performance measures **(New)**
- Percent of customers rating OMB services as good or very good on the OMB customer survey for the budget process
- Average absolute variance between budgeted and actual expenditures – Percent & Dollar Amount
- Average number of days to process requests
- Percent difference between fiscal impact projections and the actual fiscal impact of legislation **(Under Construction)**



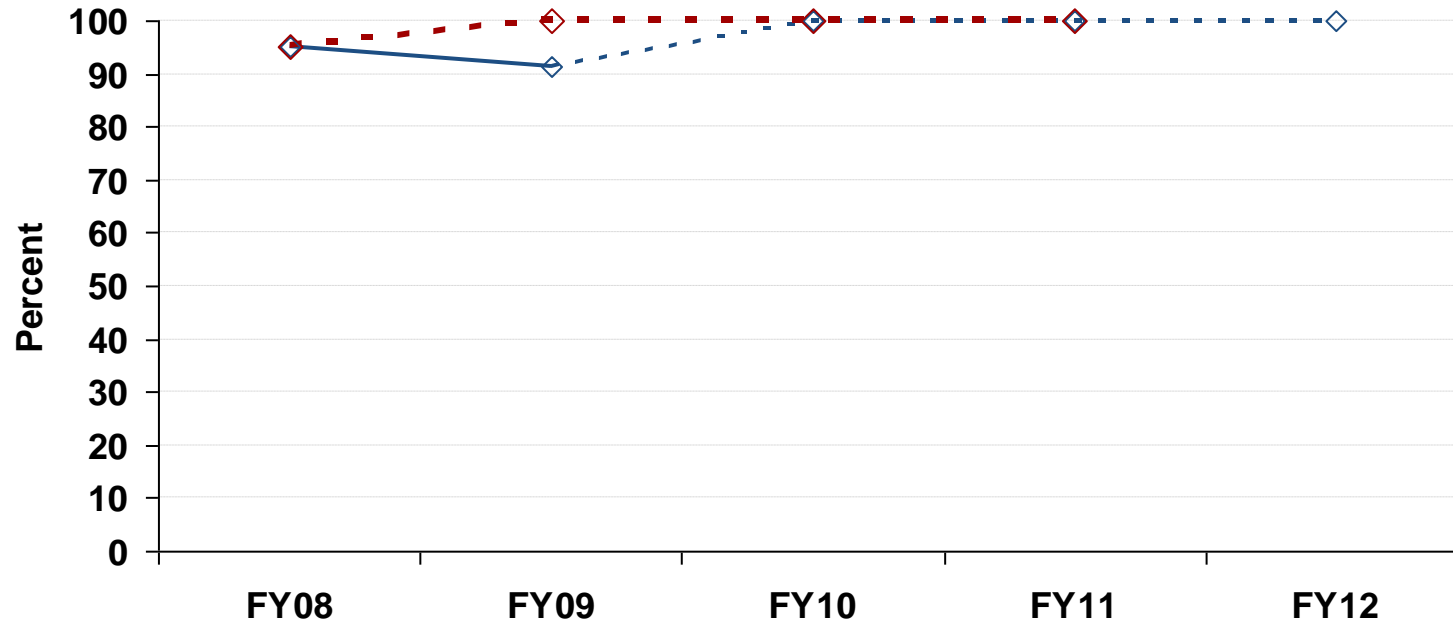
## Supporting Measures



- Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - Percent rated outstanding or proficient
  - As a policy document
  - As a financial plan
  - As an operations guide
  - As a communications device
- OMB Customer Survey – Percent of customers rating as good or very good/somewhat or very effective
  - Ability of OMB staff to provide effective support in solving problems
  - OMB's assistance with and use of results based budgeting **(new)**
  - Helpfulness and cooperativeness of OMB personnel
  - Accessibility of OMB personnel
  - Time it took OMB personnel to provide needed information or documents
  - Fairness of their OMB analyst's recommendations
  - Quality of OMB training and instructional materials
  - Usefulness of OMB's IT systems **(new)**



## Headline Measure

### Overall Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - Percent rated outstanding or proficient



	FY07 Budget	FY08 Budget	FY09 Budget	FY10 Budget	FY11 Budget
Measure	FY08 Actual	FY09 Actual	FY10 Estimate	FY11 Target	FY12 Target
Percent 	95.1	91.4	100	100	100
Measure	FY08 Actual	FY09 Estimate	FY10 Target	FY11 Target	
As presented in FY10 Budget 	95.1	100	100	100	



## Supporting Measures

### Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - Percent rated outstanding or proficient

Measure	FY08 Actual	FY09 Actual	FY10 Estimate	FY11 Target	FY12 Target
Overall	95.1	91.4	100	100	100
As a policy document	93.3	86.7	100	100	100
As a financial plan	92.6	96.3	100	100	100
As an operations guide	100	83.3	100	100	100
As a communications device	96.3	92.6	100	100	100

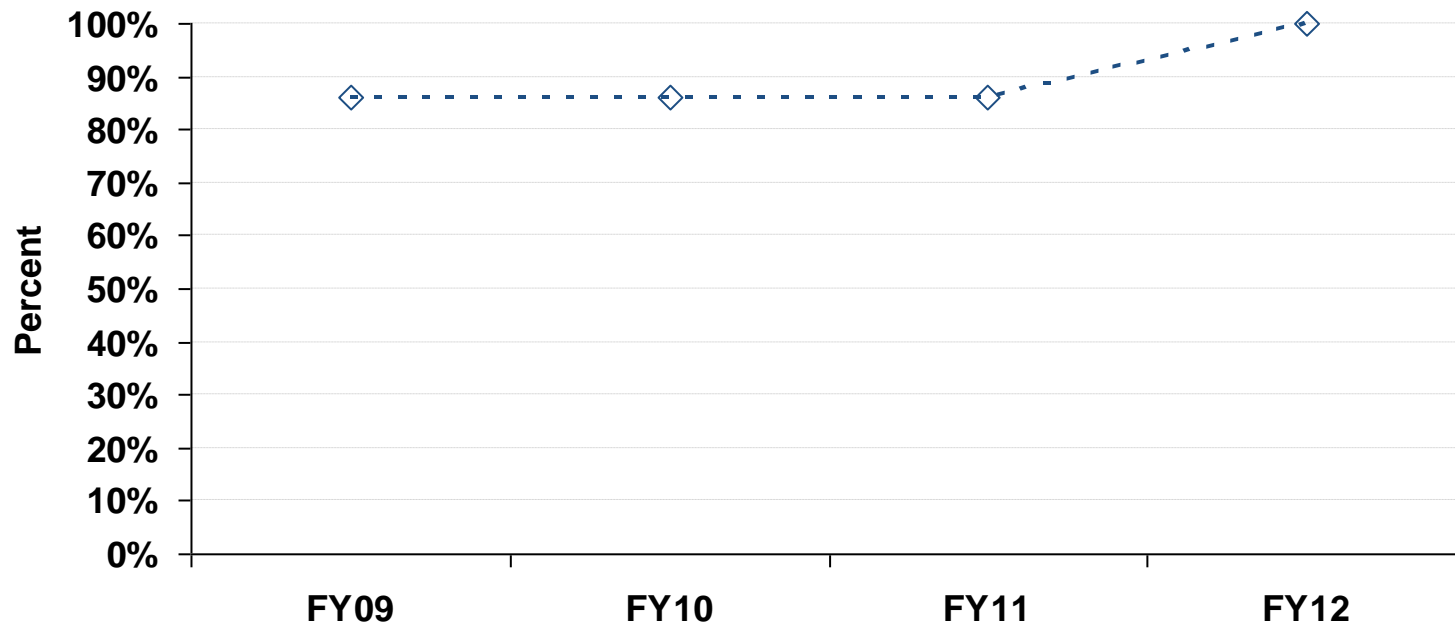




## Headline Measure

### Performance on rating agency criteria for AAA bond rated jurisdictions

This measure assesses the percent of Fitch practices for which Montgomery County is in the green. The practices are weighted according to the value placed on them by Fitch (i.e. Very Significant, Significant, Influential).



Measure	FY09 Actual	FY10 Estimate	FY11 Target	FY12 Target
Percent	86	86	86	100



# Headline Measure

## Performance on rating agency criteria for AAA bond rated jurisdictions

### Fitch – 12 Practices of Highly Successful Finance Officers

Practice	Policy Exists	Compliance w/ Policy	Measure(s) for Compliance	Fitch Value	Indicator
Fund Balance Policy	Yes	Yes <sup>1</sup>	Targeted and actual reserves as a % of resources	Very Significant	
Multi Year Financial Forecasting	Yes	Yes	Annual fiscal plans	Significant	
Monthly/Quarterly Financial Reporting & Monitoring	Yes	Yes	2 <sup>nd</sup> , 3 <sup>rd</sup> , 4 <sup>th</sup> quarterly analysis of revenues and expenditures	Significant	
Contingency Planning Policies	Yes	Yes <sup>2</sup>	Completion of COOPs	Influential	
Policies for Non-recurring Revenues	Yes	Yes <sup>3</sup>	Amt of reserves over 6% used to fund budget	Influential	
Debt Affordability Reviews	Yes	Yes	SAG; other tbd by Dept of Finance	Very Significant	
Superior Debt Disclosure Policies	Yes	Yes	Events reported	Very Significant	
PAYGO Capital Funding	Yes	Yes <sup>4</sup>	PAYGO as a % of budget	Significant	
Rapid Debt Retirement (>65% in 10 yrs)	Yes	Yes	Monitored by Finance	Significant	
5-Yr CIP Integrating Operating Costs	Yes	Yes	Publications	Influential	
Financial Reporting Awards	Yes	Yes	Receipt of award	Influential	
Budgeting Awards	Yes	Yes	Receipt of award	Influential	

1 = Deviations in FY04, FY10

2 = Business continuity, IT disaster recovery plans, but not budget contingency plans per se. There are, however, established practices for responding to shortfalls.

3 = Certain non-recurring revenues, such as land sale proceeds are used exclusively in the capital budget. Other non-recurring revenues (i.e. fund balance carryovers in excess of target reserves) are used to fund new budget items (including 1-time costs). We should compare such non-recurring revenues to 1-time costs in operating and capital budgets.

4 = Deviations in FY09, FY10, FY11

# Headline Measure

## Performance on rating agency criteria for AAA bond rated jurisdictions

### Fitch – 13 Worst Practices for Government Issuers

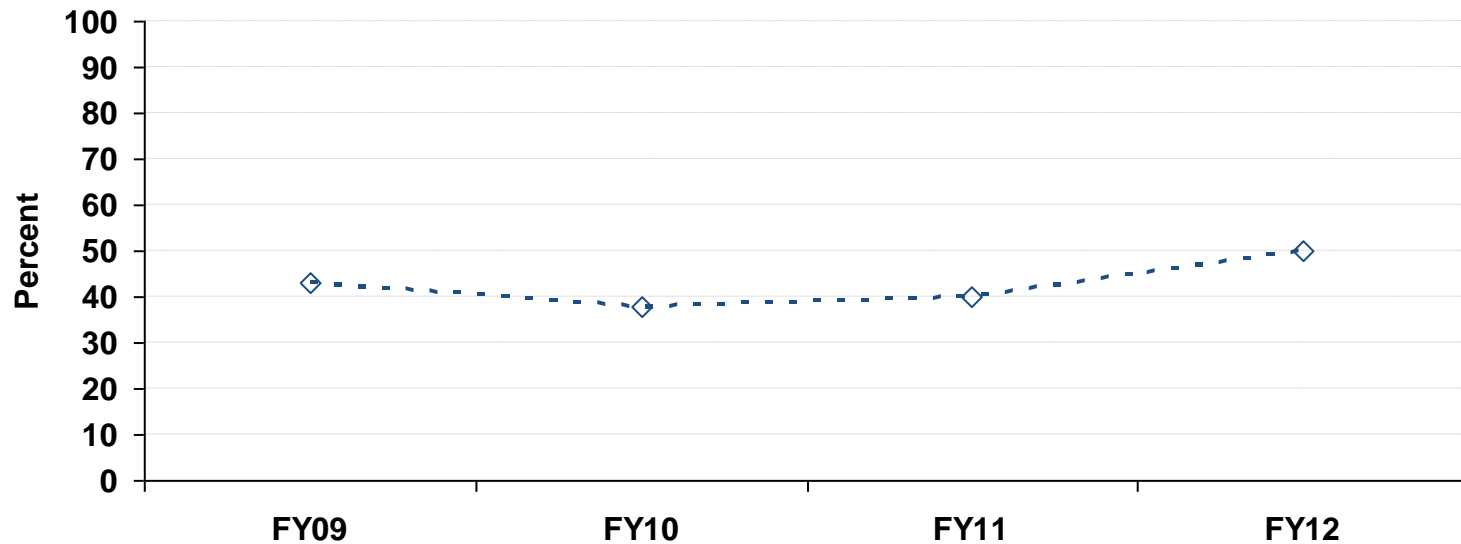
Practice	Montgomery County Practice	Indicator
Cash Basis Accounting	Accrual or modified accrual	
Qualified Audit Opinion of Material Weakness	No material weaknesses	
Deficit Financing for 2 of past 5 years	No deficit financing	
Slow Debt Retirement (<35% in 10 years)	68-69%	
Unfunded Accrued Pension Liability (<60%)	AV=78.6%; MV = 61.9%	
Tax and Revenue Anticipation Notes Growing	None issued	
Debt Restructuring that defers >35% of current debt service	No deferral of debt service	
Overreliance on Non-recurring Revenue	Policy to avoid	
Aggressive Investment Policy	Conservative, legally mandated investment policy	
Pension Contribution Deferral	No deferral of pension contribution	
Budgetary impasse beyond legal deadline	Before legal deadline	
Lack of CIP	CIP	
Excess Interfund Borrowing with No Repayment Plan in the Near Future	No interfund borrowing without repayment plan in near future	


This is not part of the measure calculation, but is included here to provide additional context to Montgomery County's financial/budgeting practices.



## Headline Measure

**Results Based Budgeting - Composite measure across all departments of improvement in key performance measures**



Measure	FY09 Actual	FY10 Estimate	FY11 Target	FY12 Target
Percent improved 	43	38	40	50
Percent consistent/unchanged	34	31	33	35

This measure is based on those measures with at least two years of results. It excludes new measures (15% of all measures in FY09) and measures under construction (11% of all measures in FY09). FY09 includes 18 departments.



# Headline Measure

## Results Based Budgeting - Composite measure across all departments of improvement in key performance measures

### FY09 Departmental Measure Results

Dept	Improved	Consistent	Declined	Total Measures
CAT	No data in FY09			
DED	50%	0%	50%	8
DEP	33%	61%	6%	18
DGS	90%	10%	0%	10
DHCA	54%	15%	31%	13
DLC	50%	25%	25%	4
DOCR	18%	64%	18%	11
DOT	18%	64%	18%	11
DPS	46%	31%	23%	13
DTS	55%	36%	9%	11
FIN	10%	30%	60%	10
HHS	38%	25%	38%	16
IGR	89%	0%	11%	9
LIB	67%	33%	0%	3
MCFRS	50%	50%	0%	6
OCP	No data in FY09			
OHR	0%	100%	0%	6
OMB	45%	0%	55%	11
PIO	No data in FY09			
REC	44%	33%	22%	9
POL	44%	44%	11%	9
Total Measures	43%	34%	22%	178



# Results Based Budgeting

## OMB Customer Survey – Interim Results

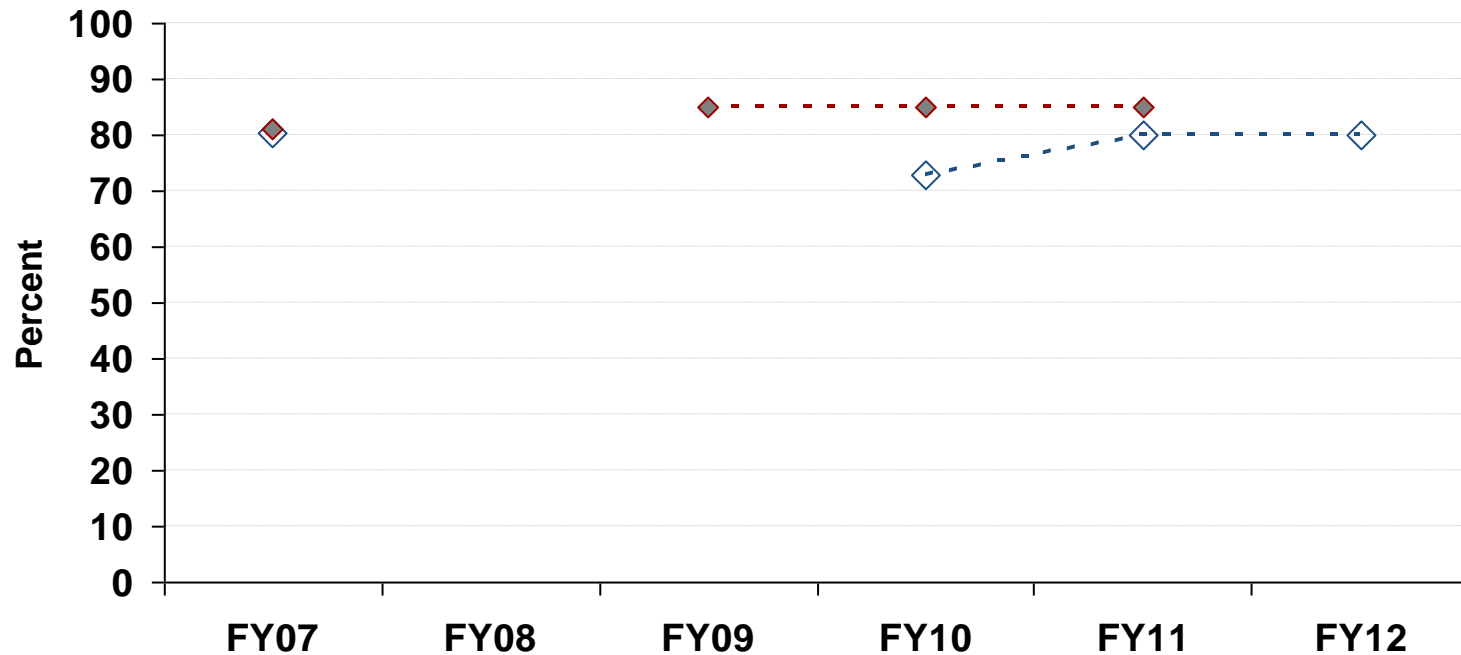
Part of the revised customer survey will focus on customer's understanding and use of Results Based Budgeting. The FY10 survey was distributed on June 17 to 129 persons. Interim results are provided from 39 respondents (30% response rate).



Questions related to FY11 Budget Process	FY10 Estimated % (FY11 Budget)	FY10 Estimated Score (FY11 Budget)
How well do you feel that you understand Results Based Budgeting and how to use it? <i>(Percentage reporting "very well" or "fairly well")</i>	55.6	3.59 out of 5
How often did you and your department use Results Based Budgeting in preparing your FY11 budget? <i>(Percentage reporting "frequently" or "very frequently")</i>	33.3	2.79 out of 5
To what extent do you feel that OMB helped you align your department's FY11 resources to facilitate the achievement of the department's key results? <i>(Percentage reporting "to a great extent" or "to some extent")</i>	63.6	3.00 out of 4
How would you rate the training and assistance provided by OMB on Results Based Budgeting during the FY11 budget preparation cycle? <i>(Percentage reporting "very good" or "good")</i>	54.5	3.5 out of 5



## Headline Measure

**Percent of customers rating OMB services as good or very good on the OMB customer survey for the budget process**



	FY08 Budget	FY09 Budget	FY10 Budget	FY11 Budget	FY12 Budget	FY13 Budget
Measure	FY07 Actual	FY08 Actual	FY09 Actual*	FY10 Estimate	FY11 Target	FY12 Target
Percent 	80.5	--	--	72.9	80.0	80.0
Measure	FY07 Actual	FY08 Actual	FY09 Estimate*	FY10 Estimate	FY11 Target	
As presented in FY10 Budget 	80.9	--	85.0	85.0	85.0	



*\*Note: This survey was not administered in 2008 or 2009.*

## Supporting Measures

### OMB Customer Survey – Percent of customers rating OMB as good or very good/somewhat or very effective

The FY10 survey was distributed on June 17 to 129 persons . Interim results are provided from 39 respondents (30% response rate).

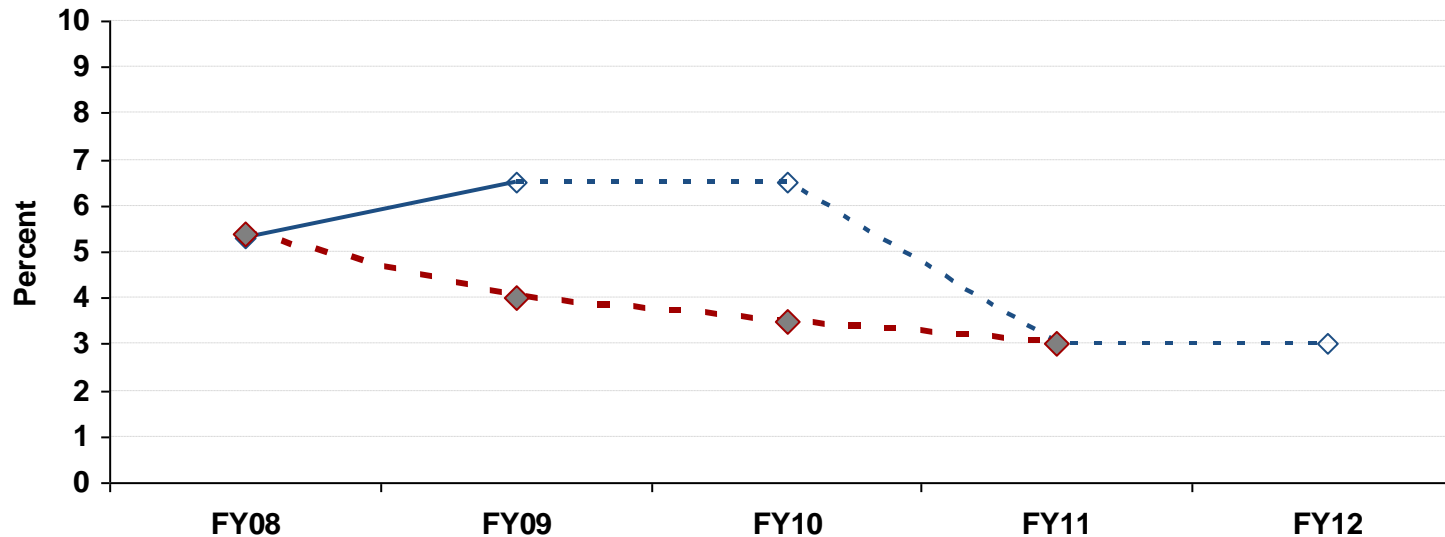
	FY08 Budget	FY09 Budget	FY10 Budget	FY11 Budget
Measure (Results shown as the percentage of customers giving the two highest ratings, e.g. “good” or “very good”)	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Estimate
Overall Score (0 to 100%)	80.5	--	--	72.9
Helpfulness and cooperativeness of OMB personnel	85.5	--	--	77.6
Accessibility of OMB personnel	79.5	--	--	77.0
Time it took OMB personnel to provide needed documents or information	74.8	--	--	75.3
Fairness of their OMB analyst's recommendations	70.9	--	--	65.3
Quality of OMB training and instructional materials	81.4	--	--	76.2
Ability of OMB staff to provide effective support in solving problems	90.7	--	--	93.5
Overall usefulness of OMB's IT systems	NA	--	--	66.7
OMB's assistance with and use of results based budgeting	NA	--	--	51.8







## Headline Measure

**Average absolute variance between budgeted and actual expenditures**  
**Percent**



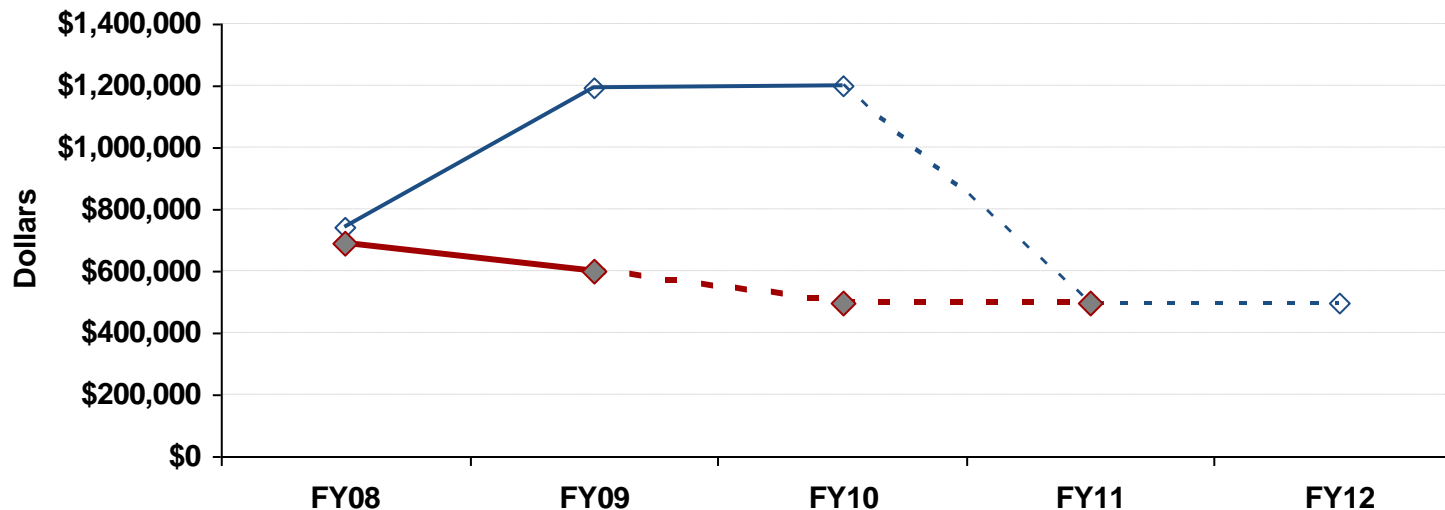
Measure	FY08 Actual	FY09 Actual*	FY10 Estimate	FY11 Target	FY12 Target
Percent 	5.3	6.5	6.5	3.0	3.0
Measure	FY08 Actual	FY09 Estimate*	FY10 Estimate	FY11 Target	
As presented in FY10 Budget 	5.4	4.0	3.5	3.0	



At present, OMB's headline measure tracks the "absolute variance". The department is proposing a change in this headline measure to instead capture the % over and underspent, and the median over and under-expenditure.



## Headline Measure

**Average absolute variance between budgeted and actual expenditures**  
**Dollar Amount**



Measure	FY08 Actual	FY09 Actual*	FY10 Estimate	FY11 Target	FY12 Target
Dollars 	742,762	1,190,341	1,200,000	500,000	500,000
Measure	FY08 Actual	FY09 Estimate*	FY10 Estimate	FY11 Target	
As presented in FY10 Budget 	691,180	600,000	500,000	500,000	

At present, OMB's headline measure tracks the "absolute variance". The department is proposing a change in this headline measure to instead capture the % over and underspent, and the median over and under-expenditure.



# Headline Measures

## Average absolute variance between budgeted and actual expenditures - Drilldown of Budget Variance Data

	FY05	FY06	FY07	FY08	FY09
Number of departments, offices, and funds	53	54	55	54	54
Average absolute percentage variance between budgeted and actual expenditures (%) <sup>1</sup>	5.91%	4.25%	4.47%	5.34%	6.52%
Average absolute dollar variance between budgeted and actual expenditures (\$)¹	\$550,412	\$575,929	\$716,583	\$742,762	\$1,190,341
Overall (net) percentage variance between total budgeted and actual expenditures for departments and funds (%)²	1.88%	1.72%	2.10%	1.59%	3.81%

Number of departments and funds that overspent	17	14	10	11	8
Percentage of departments and funds that overspent	32.1%	25.9%	18.2%	20.4%	14.8%
Average over-expenditure	\$232,417	\$347,169	\$518,819	\$770,121	\$432,743
Average percentage over-expenditure	4.1%	3.0%	4.0%	7.2%	2.9%
Median over-expenditure	\$93,252	\$183,071	\$110,082	\$178,230	\$196,512

Number of departments and funds at or below their budget	36	40	45	43	46
Percentage of departments and funds at or below their budget	67.9%	74.1%	81.8%	79.6%	85.2%
Average under-expenditure	\$700,576	\$655,995	\$760,531	\$736,763	\$1,322,097
Average percentage under-expenditure	6.8%	4.7%	4.6%	4.9%	7.2%
Median under-expenditure	\$131,277	\$160,832	\$174,429	\$204,315	\$357,231

<sup>1</sup>Current headline measure.

<sup>2</sup> This measure corresponds to the arithmetic sum of all of the variances, allowing negative variances (overspending) to offset positive variances (underspending). It is equivalent to the percentage difference between the total actual expenditures and the total budgeted expenditures for the departments, offices, and funds included in the analysis.



= New OMB proposed measure

# Controllability of Most Frequent Reasons for Over-Expenditures

## (From the “end of year transfers” for FY05-FY07)

### Controllable

- Errors in preparing the budget: omission of key items or expenditures, computational errors, etc.
- Failure to achieve budgeted lapse (due to low turnover, the need to fill vacancies quickly, etc.)
- One-time expenditures that will provide long-term savings (e.g. replacement of leased equipment with County-owned equipment)

### Uncontrollable

- Need to handle additional workload (i.e. increased inmate population, overtime or temporary help to handle emergencies or peak workload, need for additional outside contractual services, cost of extra-ordinary events)
- Extra expenses associated with turnover or absenteeism (i.e. large leave payouts, need for overtime or temporaries to backfill for retirees or persons on extended sick leave or military leave)
- Other unplanned but required purchases/expenses: publications/brochures (e.g. to address flu shot shortage), equipment upgrades, office space buildout, moving expenses, enhancement of media facilities, etc.
- Increased costs for routine purchases: supplies and materials, gasoline, utilities, IT equipment, leases, service contracts, interpreter fees
- Under-budgeting of difficult-to-project expenses (i.e. highly variable costs such as DOCR medical and food costs, Group Insurance and other insurance claims, enrollment levels for new insurance programs)
- Increases in requested/mandated reimbursements or rebates
- Higher than expected group health benefit costs, fringe benefit rates, retirement costs, motor pool rates, etc.
- Changing or unpredictable State or federal requirements/actions: unfunded mandates, increase in required match for grants, lag in expected federal payments, changes in regulations
- Increased expenses due to other County departments: higher cost of charge-backs (e.g. because of salary increases), services performed for another department that were not reimbursed, costs no longer absorbed by another department
- Reclassifications required by OHR
- Need to hire back RIFed employees (at old salary)



Source: OMB

## Headline Measure

### Average number of days to process requests

Measure – Average Days	FY08 Actual	FY09 Actual	FY10 Estimate	FY11 Target	FY12 Target
County Executive's Correspondence (CECC)	9.2	2.0	3.0	4.0	3.0
As presented in FY10 Budget	9.2	9.0	8.0	7.0	
Reports on future fiscal impact of legislation	16.8	10.4	10.4	10.4	10.4
As presented in FY10 Budget	16.8	15.0	14.0	13.0	
Budget Adjustments	4.6	5.9	6.0	6.0	6.0
As presented in FY10 Budget	3.5	3.3	3.3	3.3	
Position Profile Form	7.3	10.1	9.2	11.0	9.2
As presented in FY10 Budget	9.5	9.3	9.2	9.2	



## Headline Measure

### Percent difference between fiscal impact projections and actual fiscal impact of legislation *Under Construction*

- OMB prepared about 60 Fiscal Impact Statements in FY10, slightly over the 6-year average of 56
- OLO recently studied the adequacy of OMB's Fiscal Impact Statements but decided not to conduct a detailed assessment of their accuracy
- OMB proposes to assess the feasibility of preparing this measure by analyzing a sample of Fiscal Impact Statements from FY08, FY09, and FY10
- Issues to be examined include:
  - The “evaluability” of Fiscal Impact Statement projections: is a quantitative assessment of the accuracy of such projections usually possible?
  - The time needed for the fiscal impacts, if any, to become observable
  - The availability of relevant financial information at the level of specificity needed
  - Anticipated and unanticipated confounding factors that affected the projections
  - The average amount of staff time needed to assess the accuracy of an FIS
  - Whether OMB should assess all Fiscal Impact Statements or a sample?
  - Alternate forms of the measure (e.g .should cases with no expected fiscal impact be excluded or treated differently?)

Due to OMB staff reductions, the impending implementation of Hyperion, and the need to complete OMB's core responsibilities, OMB will not be able to undertake this analysis during FY11.



Source: OMB

## Wrap-up

- Follow-up items

